



Iowa Department of Human Services

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INFORMATIONAL LETTER NO.1267

DATE: August 1, 2013

TO: All Iowa Medicaid Targeted Case Managers, Case Managers, Central Points of Coordination, and Service Area Managers

ISSUED BY: Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)

RE: Change in Case Management Reimbursement Rate Methodology

EFFECTIVE: July 1, 2013

This letter is to announce changes to case management (CM) reimbursement rate methodologies and the actions to be taken to effectuate those changes. The CM reimbursement rates are 100 percent cost settled with none of the caps or limits that are typically included in cost-based methodologies. The annual per member costs continue to increase (approximately 10 percent in SFY'12 and 14 percent in SFY'13). This rate of growth is one of the highest when compared to other Medicaid provider types. The governor's budget recommended, and SF 446 included, a cost containment proposal to implement new caps and limits in the CM reimbursement methodology projecting \$2,700,000 in cost avoidance for the state. This legislative mandate required immediate changes to affect the cost avoidance included in the SFY '14 appropriation for the Medicaid budget.

Case Management Rate Changes Effective July 1, 2013:

Changing reimbursement methodologies is complex and there are many details that must be worked through to ensure the change meets the outlined policy goals. The cost avoided dollars assumed in SF 446 must occur in SFY'14. Therefore, methodology changes must be implemented by emergency rule effective July 1, 2013, to secure the intent and cost avoidance projections mandated by SF 446. However, there has been limited time to perform the analysis needed to implement detailed reimbursement methodology changes.

Therefore, to meet the requirements of SF 446 to achieve cost avoided projection by limiting the growth in case management rates, as well as provide more time to consult with providers about broader system changes, DHS has filed emergency rules that will do the following:

- Limit the administrative costs to 23 percent of direct service costs effective July 1, 2013.
- Implement rounding rules for billable activities effective July 1, 2013. These rounding rules are contained in the IAC Chapter 78 under each waiver.
- Cost-settle FY'13 cost reports at 100 percent of costs (except for Elderly Waiver).
- Convene a work group to establish a rate setting methodology for future fiscal years.

Benefits of this Proposal:

Earlier this summer, the department had announced an initial proposal other than that included in this Informational Letter. After receiving feedback from many of our stakeholders, the department revised the initial proposal to what is outlined above. The benefits of this second proposal are:

- The department believes that this proposal would be aligned with rate methodologies approved by the Centers for Medicare and Medicaid Services (CMS).
- This proposal will assist current CM providers for FY'14 billings by providing time to transition to a new methodology and to provide input for that methodology.
- The workgroup with case management providers will meet during the fall of 2013 to develop future rate methodologies that will include concepts such as administrative cost limits, overall rate maximums, productivity standards, etc., to be in compliance with SF 446.

Conclusion:

The department must achieve the cost avoidance projections included in SF 446 during SFY'14. This requires that immediate changes in reimbursement rates occur effective immediately. But the department also wants to be sure we have a thoughtful and collaborative approach to develop a Case Management rate setting methodology that fairly and adequately recognizes provider costs while also ensuring cost effectiveness for Medicaid. Case Management continues to be a valuable service for many individuals and their families.

Please direct all questions to the IME at: HCBsWaivers@dhs.state.ia.us and include "TCM rate issue" in the subject line to help insure they are directed properly.